Purcell McQuillan – National Recovery Plan Briefing

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The National Recovery Plan was published by the Government this afternoon, 24 November 2010. We have set out below the taxation highlights of the Plan. More details can be expected in the Budget on 7 December. If you require any further information on any aspect of the Plan please do not hesitate to call your PMQ contact.

- No change in the 12½% rate of corporation tax.
- An aggregate 16.5% reduction in the value of bands and credits over 4 years. This will reduce the entry point to income tax for a single PAYE person to approximately €15,300 from €18,300.
- The top marginal rates will remain the same at 52% for PAYE workers and 55% for self-employed.
- The introduction of a Universal Social Charge to replace PRSI, Income Levy and Health Levy. No details provided.
- Phased reduction in income tax relief on pension contributions from 41% in 2011 to 20% in 2014.
- Reduction in the annual pension earnings cap in 2011 from €150,000 to €115,000.
- *Ex-gratia* termination and pension lump sum payments in excess of €200,000 to be taxed.
- Removal of PRSI and Health Levy relief on employee pension contributions in 2011.
- The Plan provides for a phased abolition of existing legacy property reliefs. No details provided.
- The following tax reliefs will be abolished from 2011:

    - Tax exemption for patent royalties.*
    - The investment allowance for machinery and plant and for exploration expenditure.
    - Approved Share Options Scheme.*
    - BIK exemption on employer provided childcare.
    - The accelerated allowance for capital expenditure on farm buildings for pollution control.
    - The tax exemption for payments to National Co-operative Farm Relief Services.
    - Phasing out of income tax relief for rent paid for private rented accommodation.
    - Income tax relief for trade union subscriptions.
    - Income tax age credit (phased over 4 years).
    - Income tax age exemptions (phased over 4 years).

*The Department of Finance issued a Press Release on 26 November 2010 stating that the changes to abolish the tax exemption for patents and approved share option schemes are effective from last Wednesday (date and time of publication of the plan). The plan had referred to these changes being effective from 2011.

- A further five expenditures will be curtailed or restricted as follows:

    - PRSI, Health and Income Levy charge on Approved Profit Sharing Schemes.
    - PRSI, Health and Income Levy charge on Approved Save-As-You-Earn Schemes.
    - PRSI, Health Levy charge for Unapproved Share Options.
    - PRSI, Health Levy charge for Share Awards.
    - Artist's exemption from Income Tax (restrict exemption to €40,000 earnings).

- A new "Business Investment Targeting Employment Scheme" will be introduced in 2011 to replace BES.

- CAT and CGT will be reformed in 2012. Different rates will be introduced and reliefs / exemptions curtailed. Stamp Duty reliefs will also be curtailed.

- Standard rate of VAT to increase to 22% in 2013 and to 23% in 2014. The 13½% rate will be unchanged but zero rated VAT items are to be reviewed as part of EU level consideration.

- A Site Value Tax of €100 will be introduced in 2012 and a full value-based tax will be introduced in 2013.

- Miscellaneous 2011 excise measures amounting to €110 million in a full year. No details provided.

- The price of carbon will be doubled over four years from €15 to €30 per tonne.

While every care and attention has been taken to ensure the accuracy of the information contained in this email, specific professional taxation advice and clarification should always be sought.

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